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STATE FOR D (FRITZ), EAP/FO, AND EAP/ANP

E.O. 12958: DECL: 04/13/2017
TAGS: [PGOV](#) [NZ](#)

SUBJECT: POTENTIAL FOR NZ FOREIGN MINISTER-GOVT SPLIT OVER NZ-CHINA
FTA

Classified by DCM David J. Keegan,
for reasons 1.4 (b) and (d).

Summary

11. (C) A source close to Foreign Minister Winston Peters, whose New Zealand First Party seriously lags in the polls, says Peters may openly voice his opposition to New Zealand's free trade deal with China in an effort to secure the loyalty of his voter base. Although the dispute could strain the private constructive working relationship between Peters and PM Helen Clark, the Labour Party needs Peter's continued cooperation to retain control of the Government and PM Clark would likely publicly play down Peters' objections. Peters by all accounts relishes his position and would be loathe to jeopardize it. Even more importantly, as seasoned political veterans, Clark and Peters understand each other and will be able to minimize the impact of the issue on their cooperation. They could even work behind the scenes to limit the damage to the Government of their "disagreement." End Summary.

Playing to his Party's Support Base?

12. (C) As a NZ-China FTA comes ever closer to completion, an advisor to Foreign Minister Winston Peters tells us that Peters might feel compelled to speak out publicly against the agreement. Peters' NZ First Party is in trouble, and he needs to secure his party's base. The latest 3News/TNS political poll showed NZ First's support at a meager 1.2 percent, well below the threshold needed to retain its presence in Parliament after the 2008 election. (Comment: Under New Zealand's electoral system, a party gets seats in parliament if its Party wins either 5% or more of the total Party votes cast or one of its candidates wins a local electorate seat. Peters lost the only NZ First electorate seat at the 2005 election. It's not clear he could ever win it back. End Comment.)

18. (C) A good part of NZ First's support base is made up of low wage workers and manufacturers, who admire the party's particular brand of economic nationalism and Peters' passionate defense of their sector from foreign interests. Throughout the 2005 campaign Peters asserted that a NZ-China FTA would cripple the local manufacturing sector and create widespread job losses. Our source says Peters and his caucus remain committed to opposing to trade deals with low-wage economies.

Schism would strain relationship with PM Clark and Goff

14. (C) Peters governing arrangement with PM Clark permits him to oppose the Government publicly on any issues that fall outside of his foreign affairs portfolio, including trade. He is likely to express any criticism as leader of NZ First and not Foreign Minister. But regardless of his cover, going public over his opposition to the China trade deal would likely create at least the appearance of a schism with the Government and put a strain on his relations with Clark. Most analysts assume the PM will use the conclusion of a China FTA to offset criticism that her government has failed to gain

a free trade agreement with the United States. Clark is a political pragmatist, and she relies heavily on Peters' continued support to retain her Government's slim majority in Parliament. She will therefore likely publicly play down Peters' opposition to the China deal. Behind closed doors, however, she could resent Peters for causing the political and PR problems that would likely ensue, particularly if he chooses to announce his objection in the run up to the next election.

¶5. (C) Peters' has thus far managed to avoid a public split with Trade Minister Phil Goff (who shares responsibility for the Ministry of Foreign Affairs and Trade, where he served as Foreign Minister in the previous Labour administration). Peters' decision to criticize a China FTA success could initiate a public and potentially nasty feud. Despite his freedom to do so, Peters has resisted commenting on the Trade portfolio. As Foreign Minister before Peters, Goff initially did steal some of Peters' foreign policy limelight immediately after the new Government was formed in late 2005, for example by being the first to reach areas in the Pacific affected by the Tsunami. Of late, however, Goff has become quiet on foreign policy issues, focusing instead on his defense and trade portfolios. Possible timing of any public objection

¶6. (C) Peters' advisor told us that the most likely timing of a public announcement of Peters' objection to the trade deal will come during the three months before the next election - which constitutes the official campaign period in NZ. Post understands that during this time Peters will restrict his overseas travel to a bare minimum and concentrate on reviving New Zealand First's electoral prospects.

¶7. (C) Comment: Peters' opposition to the China FTA would embarrass Labour but it is unlikely he would bring down the Government. Nor is it likely that he would lose his Foreign Affairs portfolio as a result. A seasoned political veteran, Clark would understand his motivation. (And as a seasoned veteran himself, Peters might even precook his "criticism" with the PM in advance.) The main opposition party National might try to use Peters' criticisms to claim he is

unfit for office, in an effort to drive a wedge between Peters and the Government as they unsuccessfully tried to do two years ago. But as NZ businesses strongly favor the China FTA, the Nats are unlikely to want to see a prolonged debate over the agreement and will probably not push the issue too far.
McCormick